

# The Real Estate Lobby Is Ready to Rumble

## *Financiers, homebuilders, and real estate agents are uniting to save mortgage subsidies*

By [Lorraine Woellert](#)

Barbara J. Thompson plans to put a human face on the high-stakes debate over whether to preserve cherished U.S. government subsidies for home loans. Hundreds of faces, in fact. Next month, she'll lead a legion of "everyday people" to Capitol Hill to affirm the virtues of homeownership and urge Congress not to abandon federal support for low-cost mortgages. "These are your neighbors, they're the people who teach your kids at school, they're your firefighters," says Thompson, executive director of the National Council of State Housing Agencies, whose members help provide loans to first-time home buyers. "The middle working class is the bedrock of our country."

Joining Thompson's cause will be thousands of homebuilders, real estate agents, civil-rights leaders, and bankers who aim to deliver a similar message to Congress: Preserve government support for housing. Together, these groups represent what one might call, with apologies to President Dwight D. Eisenhower, a real estate-industrial complex that transcends partisan politics, geography, and socio-economic divides.

What unites them is a desire to protect a near-century of grants, tax breaks, and insurance policies funneled in large part through the government-owned mortgage-finance companies Fannie Mae ([FNMA](#)) and Freddie Mac ([FMCC](#)), which played starring roles in the U.S. housing crisis. Fannie and Freddie bought home loans from banks and sold them to global investors with an implicit government guarantee to cover losses in the event of a default. The arrangement helped foster an \$11 trillion mortgage industry and supported a housing sector that overheated—and then started unraveling in 2008.

Now as lawmakers begin to overhaul the system, the housing lobby is mobilizing against its common enemy: a Republican plan to eliminate the federal government's guarantee of mortgages. "It's a coalition that's going to be very difficult for our adversaries to beat," says Jerry Howard, president and chief executive officer of the National Association of Home Builders. "We're preparing for one hell of a fight."

The group includes financiers who want to keep capital flowing on Wall Street, legions of real estate brokers and builders whose incomes depend on a robust housing market, and activists committed to the cause of shelter as a basic right. Among the ranks are some of Washington's

biggest players, including the National Association of Realtors, whose members donated \$3.9 million to candidates in the last election cycle, making it the nation's biggest political action committee. Then there's the American Bankers Assn., another powerhouse, which spent \$6.2 million on lobbying last year, according to the Center for Responsive Politics. "It's David and Goliath," says Daniel J. Mitchell, an economist at the free-market Cato Institute who favors eliminating the government guarantee. "Not all hope is lost, but I'm not brimming with optimism."

On Feb. 16, the National Fair Housing Alliance, a civil-rights coalition, will bring together the Financial Services Roundtable and the Center for American Progress, a think tank aligned with the Obama Administration, along with other influential players to explore areas of common interest. The mortgage guarantee will be one of them, says Deborah Goldberg, who is leading the alliance effort. "Eliminating the government role in the secondary market is not the fix anybody is looking for," Goldberg says.

Lax subprime lending standards and conflicts between the public's interest and obligations to shareholders helped drive Washington-based Fannie Mae and Freddie Mac, based in McLean, Va., to the brink of collapse in 2008. The U.S. Treasury Dept. took control of the companies that year and has since advanced them \$151 billion in taxpayer money to keep them solvent. Fannie and Freddie spent more than \$164 million on lobbying in the decade leading up to the financial collapse. They now are banned from influencing Congress.

The real estate-industrial complex is doing that for them. In fighting to preserve some level of government insurance on mortgages, housing lobbyists are defending a crucial role played by Fannie and Freddie in greasing Wall Street's securitization machine. The duo now owns or guarantees more than half of all U.S. mortgages.

This month, Treasury Secretary Timothy Geithner will formally kick off the public debate when he presents Congress with a range of options for reducing the government's role in home financing while also encouraging Wall Street firms to take on some of the risk. Administration officials call the document "a path" to fixing housing finance and are lowering expectations that they will provide a magic bullet.

Republicans and their free-market allies want the mortgage system to stand on its own, and they've targeted the government guarantee for extinction. The House Financial Services Committee plans to begin hearings on Feb. 9. "There can't be any explicit guarantee," says Representative Scott Garrett (R-N.J.), who will have a lead role in housing legislation. "The taxpayer has been on the hook for this credit risk for a long time."

For Garrett and other Republicans, withstanding the lobbying onslaught might be difficult. Homebuilders and real estate agents in particular tend to support Republicans, according to the Center for Responsive Politics, and both groups are enlisting local business leaders and donors to make their case directly to lawmakers. "We're looking to make the arguments in a very personal way with each congressman," says Ronald Phipps, president of the National Association of Realtors. "We represent not just the 1.1 million Realtors and the 46 million consumers who have mortgages but also the 75 million homeowners in the U.S.," Phipps says.

Realtors and builders also have a simple message that resonates with lawmakers, says Peter J. Wallison, a former Treasury Dept. official and an architect of the Republican plan to dismantle Fannie and Freddie. That message comes down to: One wrong move, and home sales and construction could come to a halt, unsettling the economy just as it seems to be recovering from the Great Recession. Even small-government idealists, such as Tea Party conservatives, could be sympathetic to such bread-and-butter arguments. "They will say that without the government's backing it will be very difficult for them to build homes or get financing for mortgages," Wallison says. "We have a very, very difficult road ahead of us."

***The bottom line:*** *A vast housing lobby will fight to retain mortgage subsidies as Republicans seek to privatize Fannie Mae and Freddie Mac.*